

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-07 ISO-00 EUR-12 NEA-10 IO-13 L-03 H-02

PA-01 PRS-01 SP-02 USIA-06 AID-05 EB-07 NSC-05

CIEP-01 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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R 100640 MAY 76

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 4825

INFO AMEMBASSY ROME

AMEMBASSY SINGAPORE

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USADB

PASS TREASURY FOR BUSHNELL/ZINMAN

E.O. 11652: ADS, DECLAS: 5/10/77

TAGS/ EAID, EFIN, SN

SUBJECT: SUSPENSION OF ELIGIBILITY OF ITALIAN FIRMS FOR ADB
PROCUREMENT FROM SPECIAL FUND RESOURCES

1. AT MEETING OF ADB BOARD OF DIRECTORS ON 6 MAY, ADB
PRESIDENT ANNOUNCED DECISION TO SUSPEND ITALY FROM LIST
OF ELIGIBLE SOURCE COUNTRIES IN NEW TENDER DOCUMENTS
ISSUED AFTER 1 MAY 1976 FOR PROJECTS FINANCED FROM
SPECIAL FUNDS RESOURCES. ADB PRESIDENT EXPLAINED THAT
ITALY BECAME ELIGIBLE SOURCE COUNTRY IN EARLY 1973
UPON CONTRIBUTION OF ABOUT \$1.5 MILLION TO THE MULTI-
PURPOSE SPECIAL FUND. AMOUNT OF PROCUREMENT CONTRACTS
FOR ITALY HAS EXCEEDED ITS CONTRIBUTION. THE EXCESS HAS
BEEN FINANCED FROM BANK SET-ASIDE FUNDS PENDING
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ENACTMENT OF ITALIAN LEGISLATION PROVIDING FOR PAYMENT
OF INITIAL ADF CONTRIBUTION.

2. ADB PRESIDENT EXPLAINED THAT HE HAD DISCUSSED
THIS SITUATION EARLY LAST YEAR WITH ITALIAN AUTHORITIES
WHO INDICATED THAT EFFORTS WERE BEING MADE TO EXPEDITE
APPROPRIATION OF ITALY'S ADF CONTRIBUTION. IN
NOVEMBER 1975, ADB PRESIDENT SENT LETTER TO ITALIAN
AUTHORITIES EXPLAINING THAT HE COULD NO LONGER
CONTINUE TO USE SET-ASIDE FUNDS TO FINANCE ITALIAN
PROCUREMENT AND WOULD BE FORCED TO WITHDRAW ITALY
FROM LIST OF ELIGIBLE SOURCE COUNTRIES FROM SPECIAL
FUNDS RESOURCES EARLY THIS YEAR. AT ANNUAL MEETING
IN JAKARTA, ITALIAN TEMPORARY GOVERNOR COULD NOT
GIVE ASSURANCE ON TIMING OF ITALIAN CONTRIBUTION
EVEN THOUGH SPECIAL LEGISLATIVE STEPS WERE BEING
TAKEN TO ACCELERATE CONSIDERATION.

3. ADB PRESIDENT SAID HE HAS NOW CONFIRMED TO
ITALIAN AUTHORITIES THAT ITALIAN SUPPLIERS AND
CONSULTANTS ARE NO LONGER ELIGIBLE FOR FURTHER
PROCUREMENT UNDER SPECIAL FUNDS LOANS. HOWEVER,
UNDER THE CIRCUMSTANCES HE AGREED WITH ITALIAN
REPRESENTATIVE AN ANNUAL MEETING THAT THIS ACTION
WOULD QUOTE SUSPEND UNQUOTE ITALIAN ELIGIBILITY
ONLY TO CONTRACTS SENT OUT FOR TENDER AFTER 1 MAY 1976
AND WOULD RESTORE ELIGIBILITY UPON RECEIPT OF INITIAL
ITALIAN ADF CONTRIBUTION.

4. ADB GENERAL COUNSEL EXPLAINED THAT BANK WILL
CONTINUE TO HONOR PROCUREMENT IN ITALY UNDER OUT-
STANDING TENDERS IN WHICH ITALY IS LISTED AS ELIGIBLE
SOURCE COUNTRY.
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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: CONTRACTS, DEVELOPMENT BANKS, FINANCIAL CONTRIBUTIONS, FINANCIAL PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 10 MAY 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: saccheem
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976MANILA06407
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: n/a
Errors: n/a
Film Number: D760179-0763
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t197605105/aaaagikt.tel
Line Count: 99
Locator: TEXT ON MICROFILM, TEXT ON-LINE
Office: ACTION TRSY
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: saccheem
Review Comment: n/a
Review Content Flags:
Review Date: 11 MAY 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 MAY 2004 by BoyleJA>; APPROVED <23 AUG 2004 by saccheem>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: <DBA CORRECTED> srp 970925
Subject: SUSPENSION OF ELIGIBILITY OF ITALIAN FIRMS FOR ADB PROCUREMENT FROM SPECIAL FUND RESOURCES
TAGS: EAID, EFIN, IT, SN, ADB
To: STATE INFO ROME
SINGAPORE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006